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July 10, 2015

Via ECFS

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* Filing of the American Cable Association on the Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

On July 9, 2015, Ross Lieberman, Senior Vice President of Government Affairs, American Cable Association (“ACA”) and Thomas Cohen, Kelley Drye & Warren LLP and Counsel to ACA, met with Amy Bender, Legal Advisor, Wireline to Commissioner O’Rielly. The purpose of the meeting was to discuss ACA’s proposed design of the Connect America Phase II competitive bidding process, which ACA presented to staff from the Wireline Competition Bureau and the Office of Strategic Planning & Policy Analysis in a meeting on May 28, 2015¹ and which is set forth in the attached presentation.

Sincerely,



Thomas Cohen
Kelley Drye & Warren, LLP
3050 K Street N.W.
Washington, DC 20007
202-342-8518

¹

See Ex Parte Filing of the American Cable Association on the Connect America Fund, WC Docket No. 10-90 *et al.* (June 1, 2015).

KELLEY DRYE & WARREN LLP

Marlene H. Dortch
July 10, 2015
Page Two

tcohen@kelleydrye.com
Counsel for the American Cable Association

Attachment: American Cable Association Connect America Fund Phase II Competitive
Bidding Process Proposal

cc: Amy Bender

Connect America Fund Phase II Competitive Bidding Process Proposal



July 2015

Objectives of ACA Proposal

- Encourage Expeditious Deployment of Future-Proof Networks to Unserved Areas
- Maximize Coverage of Eligible Locations with Efficient Network Deployments
- Maximize Participation in Competitive Bidding Process
- Ensure Integrity of Process
- Promote Efficient Allocation of Funding

Basic Elements of ACA Proposal

- **Bidding by Stage and Network Performance Capability:**
 - There will be four consecutive stages of bidding:
 - Stage 1 – Networks Capable of Offering 1 Gbps/500 Mbps
 - Stage 2 – Networks Capable of Offering 100 Mbps/20 Mbps
 - Stage 3 – Networks Capable of Offering 25 Mbps/3 Mbps
 - Stage 4 – Networks Capable of Offering 10 Mbps/1 Mbps
 - Bidding in each stage will not begin until the previous stage is complete
 - In Stage 1, all eligible census blocks will be included in the auction
 - Each subsequent stage will include only eligible census blocks not awarded in earlier stages

Basic Elements of ACA Proposal

- **Bidding Structure:**

- Qualified applicants will submit at the beginning of a stage bids consisting of self-designed packages of eligible census blocks contained entirely within a county for any county in the contiguous US
- Applicants are not limited in the number of packages submitted per county or in the total number of counties in which packages are submitted
- A package bid may range from a single eligible census block up to all eligible census blocks in a county
- Applicants may submit a package that partially overlaps with another package it submits in the same stage

Basic Elements of ACA Proposal

- **Amount of Support Bid:**

- Applicants do not include a price (amount of support or cost-efficiency metric) in their bids, only a series of packages, each containing a list of census blocks in a single county covered by the bid
- All bids will be assumed to be at the reserve price calculated by the cost model for the corresponding census block; If a package of census blocks is submitted, the reserve price for the package will be the sum of the reserve prices for each census block in the package

Basic Elements of ACA Proposal

- **Awards:**

- General Rule*: Winning packages will be based on maximum coverage within a county: an applicant whose bids in a county cover the greatest number of locations eligible for support in the county will prevail over other applicants that submitted bids in the county

*For the final stage auction (lowest network capability), it may be preferable to hold an initial auction where the reserve price is materially lower than the cost model reserve price so that limited funds may be used cost-efficiently. In the alternative, the Commission may select winning bidders for the final stage auction based on a cost-efficiency, rather than a coverage, standard.

Basic Elements of ACA Proposal

- **Awards**

- Where Bids are Received for Eligible Census Blocks –
 - Within each county and for each applicant, the Commission will aggregate the eligible census blocks in all packages submitted by an applicant; each census block will be counted only once
 - The winner will be the applicant whose packages in aggregate would cover the greatest total number of eligible locations in the county*
 - Packages from other applicants that share at least one eligible census block with the winning aggregation of packages will be dismissed
 - The Commission will then turn to the remaining packages of eligible census blocks in the county for each Applicant and conduct the same process
 - This process will repeat until all Applicants' aggregations of packages have been declared winning aggregations or have been dismissed

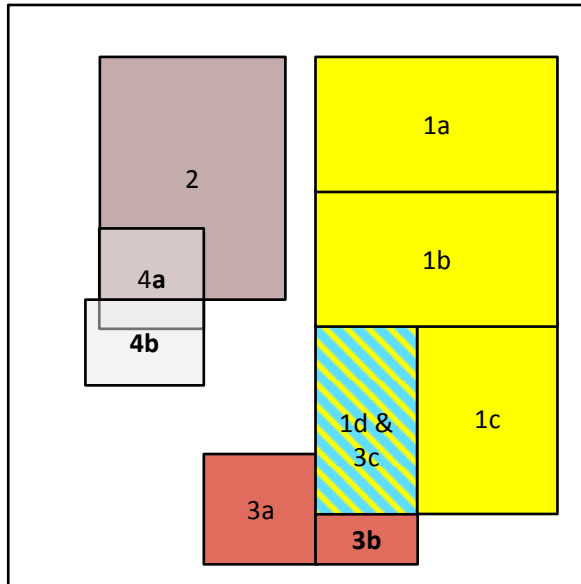
Basic Elements of ACA Proposal

- **Awards**

- If the total amount of funding available at any stage is not sufficient to award all county-level winning bids, support would be awarded in order by number of eligible locations covered by winning bids on a nationwide basis

Scenarios

- The optimal bid approach is to bid on the maximum total number of locations within each county, but to structure bids into each unique minimum viable bid combination



Note:

- Box numbers and colors identify different providers
- Box sizes represent relative number of locations covered by bids

Bid Evaluation Process

STEP 1

- Provider #1 wins all of its bids (1a - 1d) because its bids in aggregate cover more locations in the county than any other providers' bids in aggregate
- Provider #2's bid does not overlap with #1's bids and remains for consideration
- Provider #3's bid 3c is eliminated because it overlaps with #1's bid 1d, but #3's separate bids 3a and 3b remain for consideration
- Provider #4's bids do not overlap with #1's bids and remain for consideration

STEP 2

- Provider #2 wins its remaining bid because it covers more locations in the county than any other remaining providers' bids in aggregate
- Provider #3's bids 3a and 3b do not overlap with #1's bid and remain for consideration
- Provider #4's bid 4a is eliminated because it overlaps with #2's bid, but #4's separate bid 4b remains for consideration

STEP 3

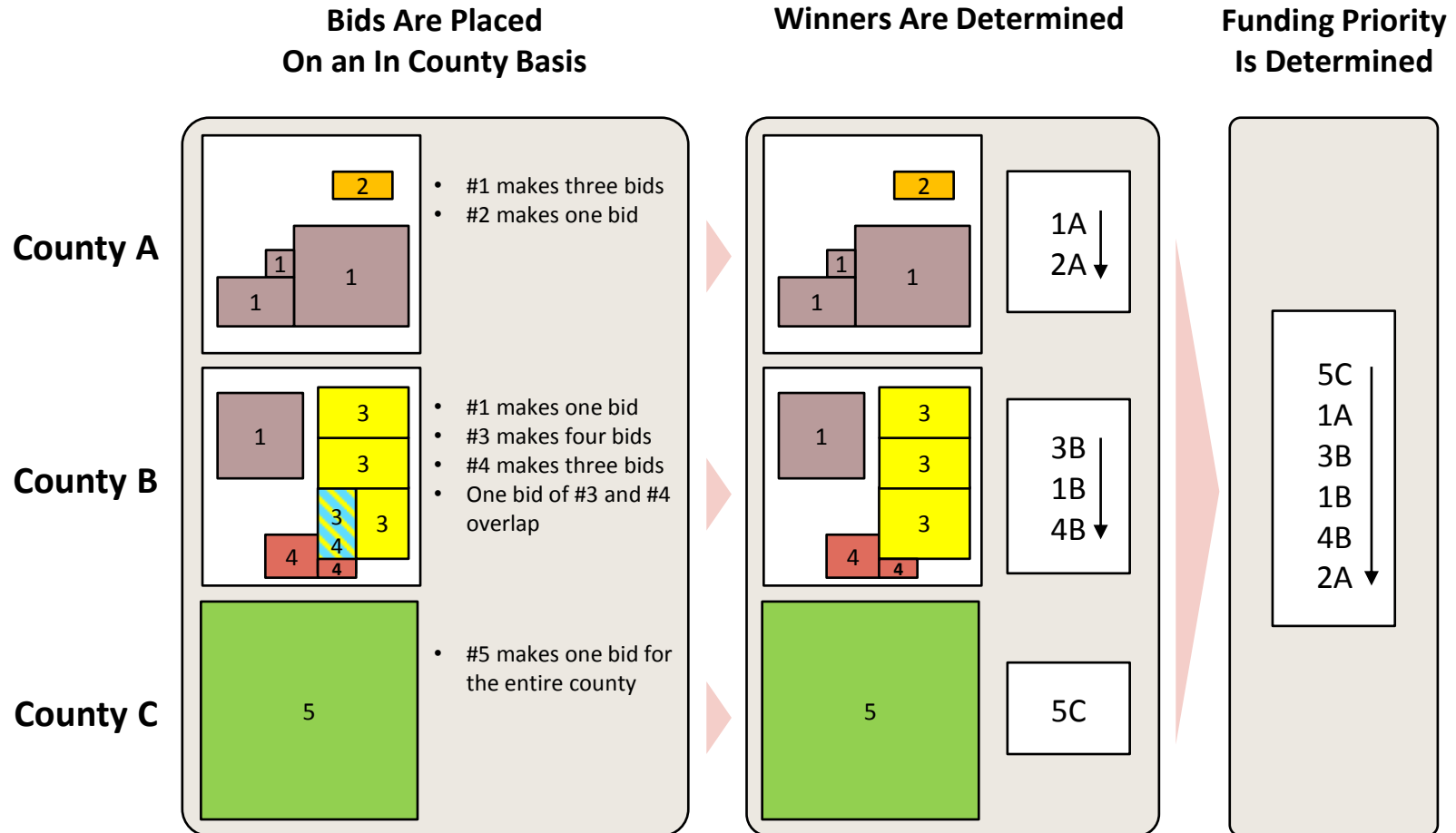
- Provider #3 wins its remaining bids (3a and 3b) because its bids in aggregate cover more locations in the county than any other remaining providers' bids in aggregate
- Provider #4's bid 4b does not overlap with #3's bids and remains for consideration

STEP 4

- Provider #4 wins its remaining bid (4b) because its bid covers more locations in the county than any other remaining providers' bids in aggregate

Scenarios

- Our approach to bidding and identifying winners consists of three key steps



Note:

- Box numbers and colors identify different providers
- Box sizes represent relative number of locations covered by bids